

September 2004



North Dakota REV-E-NEWS

From Pam Sharp, Director Office of Management and Budget 600 E. Blvd. Ave. , Dept 110 - Bismarck, ND 58505-0400

According to *Economy.com*, national economic growth has slowed this summer. Real gross domestic product (GDP), which was expanding at a pace of nearly 5 percent at the start of the year, weakened to a 3 percent rate of growth in the second quar-

Although consumer spending has decreased nationally, that does not appear to be the case in North Dakota.

ter and likely will continue in that range for the third quarter as well. Contributing most to the slower growth is less buoyant consumers resulting from the effects of a combination of higher energy prices and interest rates.

Although consumer spending has decreased nationally, that does not appear to be the case in North Dakota. August marks the third consecutive month that sales and use tax collections have significantly exceeded projections.

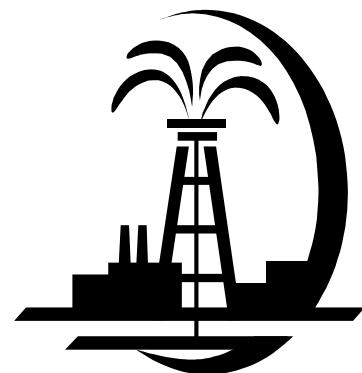
North Dakota's non-seasonally adjusted unemployment rate of 2.9 percent for July was once again the lowest in the nation. North Dakota's seasonally adjusted unemployment rate for July was 3.1 percent compared to the nation's unemployment rate of 5.5 percent.

OMB staff is working intently on the executive budget. During the month of October, we will also be working on the updated revenue forecast for the executive budget recommendation. The Advisory Group on Revenue Forecasting will likely meet during the latter part of October. The executive revenue forecast and agency budget recommendations will be finalized shortly thereafter. Then, the Governor's executive budget recommendation will be presented to the organizational session of the 2005 Legislature during the first week of December.

Oil Activity

Oil production in July averaged 83,204 barrels per day compared to June's production level of 83,995 barrels per day.

The price of oil remains strong and is currently \$40 per barrel for North Dakota sweet crude. North Dakota currently has 25 oil rigs drilling compared to 17 one year ago.



STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
August 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	March 2003 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	34,097,000	36,911,020	2,814,020	8.3%	385,574,000	408,866,538	23,292,538	6.0%
Motor Vehicle Excise Tax	5,851,000	5,326,054	(524,946)	-9.0%	73,304,000	75,425,114	2,121,114	2.9%
Individual Income Tax	16,214,000	22,233,867	6,019,867	37.1%	249,032,000	251,755,642	2,723,642	1.1%
Corporate Income Tax		34,601	34,601	100.0%	45,889,000	40,337,931	(5,551,069)	-12.1%
Insurance Premium Tax	1,950,000	4,063,840	2,113,840	108.4%	29,362,000	32,449,251	3,087,251	10.5%
Financial Insitutions Tax		2,908	2,908	100.0%	2,600,000	2,679,232	79,232	3.0%
Oil & Gas Production Tax	1,813,000	1,768,494	(44,506)	-2.5%	25,736,000	33,190,255	7,454,255	29.0%
Gaming Tax	2,200,000	1,541,552	(658,448)	-29.9%	14,100,000	13,398,528	(701,472)	-5.0%
Lottery					280,000	1,431,000	1,151,000	411.1%
Interest Income	446,000	145,045	(300,955)	-67.5%	6,544,000	2,514,449	(4,029,551)	-61.6%
Oil Extraction Tax	1,224,000	1,504,846	280,846	22.9%	17,437,000	18,113,368	676,368	3.9%
Cigarette & Tobacco Tax	1,673,000	1,753,306	80,306	4.8%	21,901,000	23,305,922	1,404,922	6.4%
Departmental Collections	4,494,961	5,521,995	1,027,034	22.8%	34,084,109	38,742,989	4,658,880	13.7%
Wholesale Liquor Tax	518,000	481,611	(36,389)	-7.0%	6,860,000	7,019,209	159,209	2.3%
Coal Conversion Tax	2,103,000	1,771,217	(331,783)	-15.8%	27,670,000	27,765,499	95,499	0.3%
Mineral Leasing Fees	300,000	580,758	280,758	93.6%	3,015,000	4,490,954	1,475,954	49.0%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					872,625	872,625		0.0%
Other Transfers		1,478	1,478	100.0%	36,410,000	36,649,112	239,112	0.7%
Total	72,883,961	83,642,591	10,758,630	14.8%	1,010,670,734	1,049,007,618	38,336,884	3.8%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief -Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	72,883,961	83,642,591	10,758,630	14.8%	1,010,670,734	1,105,464,199	94,793,465	9.4%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
August 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	August 2002	August 2004	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	26,044,885	36,911,020	10,866,135	41.7%	370,528,206	408,866,538	38,338,332	10.3%
Motor Vehicle Excise Tax	5,582,246	5,326,054	(256,192)	-4.6%	71,241,955	75,425,114	4,183,159	5.9%
Individual Income Tax	14,687,493	22,233,867	7,546,375	51.4%	231,991,722	251,755,642	19,763,920	8.5%
Corporate Income Tax	17,640	34,601	16,961	96.2%	41,424,840	40,337,931	(1,086,909)	-2.6%
Insurance Premium Tax	1,909,008	4,063,840	2,154,832	112.9%	25,256,212	32,449,251	7,193,038	28.5%
Financial Insitutions Tax	541	2,908	2,367	437.5%	2,972,386	2,679,232	(293,154)	-9.9%
Oil & Gas Production Tax	1,176,062	1,768,494	592,431	50.4%	23,912,318	33,190,255	9,277,936	38.8%
Gaming Tax	2,159,146	1,541,552	(617,594)	-28.6%	16,358,882	13,398,528	(2,960,354)	-18.1%
Lottery						1,431,000	1,431,000	100.0%
Interest Income	234,673	145,045	(89,628)	-38.2%	5,847,829	2,514,449	(3,333,379)	-57.0%
Oil Extraction Tax	945,292	1,504,846	559,554	59.2%	12,442,684	18,113,368	5,670,684	45.6%
Cigarette & Tobacco Tax	1,829,067	1,753,306	(75,760)	-4.1%	23,706,784	23,305,922	(400,862)	-1.7%
Departmental Collections	1,001,600	5,521,995	4,520,395	451.3%	38,740,993	38,742,989	1,996	0.0%
Wholesale Liquor Tax	537,593	481,611	(55,983)	-10.4%	6,569,670	7,019,209	449,539	6.8%
Coal Conversion Tax	2,025,146	1,771,217	(253,929)	-12.5%	27,255,822	27,765,499	509,678	1.9%
Mineral Leasing Fees	501,704	580,758	79,054	15.8%	3,967,201	4,490,954	523,753	13.2%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					852,120	872,625	20,505	2.4%
Other Transfers	(14,459)	1,478	15,937	-110.2%	70,850	36,649,112	36,578,262	100.0%
Total	58,637,636	83,642,591	25,004,956	42.6%	933,140,473	1,049,007,618	115,867,145	12.4%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	58,637,636	83,642,591	25,004,956	42.6%	933,140,473	1,105,464,199	172,323,726	18.5%

Revenue Variances

The following comments on revenue variances are based on August revenue collections compared to the 2003 legislative forecast.

August revenue collections exceeded the legislative forecast by \$10.8 million, while biennium-to-date collections exceeded the legislative forecast by \$38.3 million, excluding the impact of the \$56.5 million in federal fiscal relief payments received by the state and deposited into the general fund.

Compared to the preliminary revenue forecast that was completed last month, August revenues exceeded projections by \$6.7 million.

Sales tax collections continue to be quite strong. August sales and use tax collections exceeded the legislative forecast by \$2.8 million or 8.3 percent. Biennium-to-date collections are now \$23.3 million ahead of the legislative forecast.

Because of an accounting error, motor vehicle excise tax collections show a shortfall of \$524,946 in August. This error will be reversed and the correction will be included in the September collections.

Individual income tax collections were very strong in August and exceeded the legislative forecast by \$6.0 million. Individual income tax extensions due in August produced significantly more tax due than was anticipated, which

accounts for most of the overage in August. Biennium-to-date collections are now \$2.7 million ahead of the legislative forecast.

Because of the large amount of corporate income tax refunds expected each year at this time, most of the corporate income tax collections received during the first three months of the fiscal year are deposited into the reserve account and will be used to pay refunds.

Insurance premium tax collections were \$2.1 million ahead of projections in August, while biennium-to-date collections are ahead of projections by \$3.1 million, or 10.5 percent.

Departmental collections exceeded monthly projections in August by \$1.0 million. This overage is directly attributed to the settlement with BNSF, which provided \$1.0 million to the state's general fund. Biennium-to-date collections are ahead of projections by \$4.7 million.

Comments or Questions???

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